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FM AMEMBASSY MOSCOW
TO RUEHC/SECSTATE WASHDC PRIORITY 5593
INFO RUCNCIS/CIS COLLECTIVE PRIORITY
RUEHZL/EUROPEAN POLITICAL COLLECTIVE PRIORITY
RUEHXD/MOSCOW POLITICAL COLLECTIVE PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY
RUCPDOG/DEPT OF COMMERCE WASHDC PRIORITY

C O N F I D E N T I A L MOSCOW 005609

SIPDIS

SIPDIS

DEPT FOR EUR/RUS, FOR EEB/ESC/IEC GALLOGLY AND WRIGHT
EUR/CARC, SCA (GALLAGHER, SUMAR)
DOE FOR HARBERT, HEGBORG, EKIMOFF
DOC FOR 4231/IEP/EUR/JBROUGHER

E.O. 12958: DECL: 11/30/2017

TAGS: [EPET](#) [ENRG](#) [ECON](#) [PREL](#) [RS](#)

SUBJECT: RUSSIA ENERGY: NO DEAL ON KOVYKTA THIS YEAR?

REF: MOSCOW 3054

Classified By: Econ MC Eric Schultz for Reasons 1.4 (b/d)

¶1. (C) TNK-BP International Affairs Director Shawn McCormick confirmed to us on November 30th that a deal between Gazprom and TNK-BP on Gazprom's purchase of TNK-BP's 62.5% share of the giant Kovykta gas field in East Siberia will likely not be concluded this year. Press reports cited a Gazprom representative as announcing on November 29th a "delay" in the transaction. When announced in June of this year (reftel), negotiations leading to a final settlement were supposed to be concluded by November. That deadline slipped to December, and now, it seems, to 2008.

¶2. (C) There is speculation in the press that the delay is partly due to difficulty in valuing the asset, the worth of which may be dependent on a pending gas sales agreement with China. TNK-BP President Robert Dudley confirmed as much recently when he told us that the transaction had still to be "intensely reviewed" by lawyers, accountants, and valuers, and that the original timeline was "a little ambitious."

¶3. (C) There are additional press reports linking the delay to rumored discussions of a possible purchase by Gazprom of the half of TNK-BP owned by Russian billionaires Mikhail Fridman, Viktor Vekselberg, and Amciti Leonid Blavatnik's Access Industries. BP Russia International Affairs Director Anton Mifsud-Bonnici told us November 30th that those reports are "pure speculation." He said BP is still in "active discussions" with Gazprom on the Kovykta deal, which is to be part of Gazprom and BP's much ballyhooed "strategic international joint venture."

COMMENT

¶4. (C) The Kovykta field is a lynchpin of Russia's East Siberian gas development plan. Delays in concluding its transfer to Gazprom will unfortunately likely also delay its promising output.
BURNS